1946

NINETY-THIRD

ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

OF THE

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

FOR THE YEAR ENDED DECEMBER 31, 1946

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CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

DIRECTORS

Term Expires 1947

RALPH BUDD.....*President*
CHICAGO, BURLINGTON & QUINCY RAILROAD CO., CHICAGO, ILL.
CHARLES E. DENNEY.....*President*
NORTHERN PACIFIC RAILWAY CO., ST. PAUL, MINN.
FRANK J. GAVIN.....*President*
GREAT NORTHERN RAILWAY CO., ST. PAUL, MINN.

Term Expires 1948

HERBERT M. BUSHNELL.....*President*
U. S. NATIONAL BANK OF OMAHA, OMAHA, NEBR.
EDWARD FLYNN.....*Executive Vice President*
CHICAGO, BURLINGTON & QUINCY RAILROAD CO., CHICAGO, ILL.
R. DOUGLAS STUART.....*President*
THE QUAKER OATS CO., CHICAGO, ILL.

Term Expires 1949

J. C. JAMES.....*Vice President and General Counsel*
CHICAGO, BURLINGTON & QUINCY RAILROAD CO., CHICAGO, ILL.
CHARLES I. STURGIS.....*Retired Vice President, Secretary and Treasurer*
CHICAGO, BURLINGTON & QUINCY RAILROAD CO., CHICAGO, ILL.
WALLACE C. WINTER.....*Associate,* HARRIS UPHAM & CO., CHICAGO, ILL.

EXECUTIVE COMMITTEE

RALPH BUDD.....CHAIRMAN

CHARLES E. DENNEY	FRANK J. GAVIN	R. DOUGLAS STUART
EDWARD FLYNN	J. C. JAMES	WALLACE C. WINTER

OFFICERS

RALPH BUDD.....*President, Chicago*
EDWARD FLYNN.....*Executive Vice President, Chicago*
J. C. JAMES.....*Vice President and General Counsel, Chicago*
LAWRENCE R. CAPRON.....*Vice President, Chicago*
HARRY C. MURPHY.....*Vice President, Chicago*
HERBERT W. JOHNSON.....*Vice President and Comptroller, Chicago*
KARL FISCHER.....*Assistant to President, Chicago*
THOMAS J. THOMAS.....*Assistant to President, Chicago*
ROY D. LONG.....*Director of Purchases and Stores, Chicago*
BERT VICKERY.....*Treasurer and Assistant Secretary, Chicago*
EDITH JARVIS ALDEN.....*Secretary, Assistant Treasurer and Transfer Agent, Chicago*
ARTHUR D. McLANE.....*Assistant Secretary, Chicago*
WALTER McFARLAND.....*Assistant General Counsel, Chicago*
ELDON MARTIN.....*General Solicitor, Chicago*
ARTHUR W. LAVIDGE.....*General Auditor, Chicago*
HERBERT R. CLARKE.....*Chief Engineer, Chiacgo*
WILLIAM W. HENDERSON.....*Transfer Agent, Chicago*
NICHOLAS STOCKHAMMER, HARRY F. SMITH.....*Fiscal Agents, 2 Wall Street, New York*
GRACE W. WINTERS, HELEN A. STORCH.....*Transfer Agents, 2 Wall Street, New York*
STATE STREET TRUST COMPANY.....*Fiscal Agent and Transfer Agent, State and Congress Streets, Boston*

The above were Directors and Officers as of December 31, 1946.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Highlights of Operations

	1946	1945	Decrease
Operating Revenues	$195,925,665	$ 242,542,798	$ 46,617,133
Operating Expenses	$139,250,672	$ 174,150,921△	$ 34,900,249
Operating Ratio	71.07%	71.80%	.73%
Available for Fixed Charges	$ 29,213,102	$ 35,672,974	$ 6,459,872
Fixed Charges	$ 6,110,328	$ 8,267,574	$ 2,157,246
Times Fixed Charges Earned	4.78	4.31	.47†
Total Taxes	$ 25,693,903	$ 30,248,889⌀	$ 4,554,986
Net Income	$ 23,102,775	$ 27,405,399	$ 4,302,624
Dividend Paid	$ 10,250,322	$ 10,250,322	—
Taxes per Share of Stock	$ 15.04	$ 17.71	$ 2.67
Net Income per Share of Stock	$ 13.52	$ 16.04	$ 2.52
Dividend Paid per Share of Stock	$ 6.00	$ 6.00	—
Average Number of Employes (Includes part time employes)	32,008	34,407	2,399
Total Wages	$ 92,244,695	$ 89,476,860	$ 2,767,835†
Revenue Ton Miles	16,657,848,531	18,820,919,595	2,163,071,064
Revenue Passenger Miles	1,529,488,860	2,116,701,416	587,212,556
Miles of Road Operated—end of year	8,867.45	8,863.00	4.45†
Total outstanding Funded Debt including Equipment Obligations	$183,436,659	$ 192,662,389#	$ 68,121,718‡

† Increase. ⌀ See pages 10 and 11. ‡ Five year reduction 1942-1946.

△ Includes $22,112,933 unamortized cost of war facilities as of September 29, 1945.

Includes $3,457,000 outstanding First and Refunding 3¾% Bonds called for redemption February 1, 1946 for which cash had been deposited with Trustee of mortgage.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Report for the Year Ended December 31, 1946

FREIGHT TRAFFIC

Burlington freight revenue in 1946 was $148,897,285. This was $34,389,630, or 18.76%, less than in 1945. Contributing to the decrease in freight revenue were discontinuance of military traffic, strikes, and freight car shortage. However, freight revenue was 13.10% and volume of freight handled was 17.89% above 1920, the previous high peacetime year.

Source of Freight Traffic

	1946 Revenue*	Per cent of Total	Change from 1945
Products of Agriculture	$ 36,896,343	22.93	$ 1,413,295 Decrease
Animals and Products	12,718,203	7.91	946,460 Increase
Products of Mines	27,441,193	17.06	620,773 Decrease
Products of Forests	7,371,150	4.58	1,173,614 Increase
Manufactures and Miscellaneous	63,964,823	39.75	41,080,341 Decrease
Less Carload Freight	12,492,191	7.77	2,656,173 Increase
Total	$160,883,903	100.00	$38,338,162 Decrease

*Gross freight revenue stated without adjustments for absorptions or corrections which bring the net to $148,897,285.

Manufactures and Miscellaneous, which accounted for the largest amount of revenue and the greatest decrease, reflected the disappearance of war traffic and labor disturbances in manufacturing industry.

Revenue per revenue ton mile in 1946 averaged .894 cent and in 1945 it averaged .974 cent.

PASSENGER TRAFFIC

Passenger revenue in 1946 was $27,896,559. This was $10,297,013, or 26.96%, less than in 1945.

Revenue per passenger mile in 1946 averaged 1.824 cents and in 1945 it averaged 1.804 cents.

During the year, 424,361 military personnel were moved on the Burlington in 1,426 special trains and 187,254 in 6,451 special cars in regular trains, a total of 611,615. This compares with 1,401,737 handled in 1945.

Since Pearl Harbor, December 7, 1941, Burlington has handled 3,526,151 military personnel in 11,591 special trains and 1,667,176 in 50,987 special cars, a total of 5,193,327.

Through Sleeping Cars

Burlington joined with the Pennsylvania, New York Central, Denver & Rio Grande Western, and Western Pacific Railroad Companies in operation of a daily through sleeping car between New York and California, alternating daily between the Pennsylvania and the New York Central.

NEW PASSENGER TRAINS

Burlington participated on a prorata mileage basis in the purchase of 16 new passenger trains as follows: 5 new Empire Builder trains to operate between Chicago and the Pacific Northwest via Burlington and Great Northern; 5 new North Coast Limited trains to operate similarly via Burlington and Northern Pacific; 6 new California Zephyr trains to operate between Chicago and California via the Burlington, Denver and Rio Grande Western, and Western Pacific. Burlington also purchased 2 new Twin Zephyr trains to operate between Chicago, St. Paul and Minneapolis on the Burlington. The delivery of nearly all of the cars for the Empire Builder and a large proportion of the chair cars for the North Coast Limited trains was made during 1946.[1] The other cars will be delivered during 1947. All the new trains are streamlined and embody the most modern ideas for comfort and elegance of appointment. The Zephyr trains will contain "Vista Dome" cars much like the test car "Silver Dome" which has proved so popular with the traveling public since it was introduced in 1945.

TRAVEL CREDIT PLAN

During the year Burlington joined with other rail carriers in development of a means under which accredited passengers may obtain rail and Pullman tickets and dining car service under a "travel-and-charge-it" plan which only requires passenger to have a credit card.[2]

FREIGHT AND PASSENGER RATES

Immediately after the arbitration award granting a wage increase to all employes, the railroads, on April 15, 1946, applied to the Interstate Commerce Commission for authority to increase freight rates approximately 25% with certain exceptions as to specific commodities which would have reduced the average increase to approximately 20%.

On June 20, the Commission authorized an interim increase in freight rates, effective July 1, of approximately 5%.

[1]New Empire Builder service was inaugurated February 23, 1947.

[2]The plan became effective on April 1, 1947.

After further hearings, the Commission, on December 5, issued a final order cancelling the 5% interim freight rate increase, effective December 31, and authorized, effective January 1, 1947, an increase in freight rates averaging approximately 17.6%; Burlington's increase is approximately 17.4%.

The order made permanent the temporary 10% passenger fare increase authorized in 1942.

AGRICULTURE

Agricultural conditions in Burlington territory were favorable in 1946. Wheat production increased 6.2% over the record crop of 1945 and 40.6% over the ten-year (1935-1944) average. Corn increased 23.7% over the good crop of 1945, soybeans increased 6.5%, potatoes 1.1%. Sugar beets increased 16.0%. Oats and barley declined slightly. Hay and forage crops were good. O.P.A. ceilings early in the year reduced farmers' incentives to produce livestock. Hog production declined 10.7%, sheep 10.3%, and cattle 1.6%. Farm income from crops and livestock increased 17.8% to a new all-time high.

Prospects for 1947

Acreage seeded to winter wheat in 1946 increased 8.25% over the preceding year. The crop is in excellent condition.

Prospects for irrigation water are excellent due to a good carry-over in reservoirs and heavy snow storage in the mountains. The Reclamation Service has let contracts for construction of the Enders Dam near Imperial, Nebraska, to store 74,000 acre-feet of water and supply irrigation for 35,520 acres in territory served by Burlington. Construction was begun during the year on the Boysen Dam near Thermopolis, Wyoming, which will provide power and additional irrigation water in the Big Horn Basin, also the Angostura Dam in South Dakota which will irrigate 16,180 acres near Edgemont. These dams are a part of the Missouri River Basin Development plan which proposes as a part of its initial program to irrigate 384,660 acres served by Burlington. Eighty-three new irrigated farm units were opened to settlement in the Heart Mountain, Wyoming, irrigation district adjacent to the Cody line.

LAND GRANT RATES

The Land Grant Repeal Act, signed by President Truman on December 12, 1945, terminated rate reductions on Government traffic on October 1, 1946.

RAILWAY MAIL PAY

Petition has been filed with the Interstate Commerce Commission on behalf of all railroads requesting authority to increase by 45% the rates of compensation for the transportation of United States mail by railroad companies.

EXPRESS RATES

On October 28, 1946, the Interstate Commerce Commission authorized the Railway Express Agency to make an interim increase of about 20% in less than carload express rates and charges for one year or until further action of the Commission. This interim adjustment in rates will do no more than cover the costs of wage awards to Express Agency employes, since the last rate change in 1942. A supplemental petition has been filed requesting authority to further increase the rates and charges on express traffic in order more equitably to compensate the rail carriers for their transportation of express traffic.

OPERATING EXPENSES

Railway operating expenses in 1946 were $139,250,672. This was $34,900,249, or 20.04%, less than in 1945. Included in 1945 expenses was a charge of $22,112,933, cost of war facilities unamortized as of September 29, 1945, the date fixed by the President as end of the emergency period.

MAINTENANCE OF PROPERTY

While shortages of labor and materials were experienced throughout the year, the roadway, track and equipment were maintained in good and safe operating condition.

Following outlines some of the major maintenance work performed during the year:

1,575,052 new creosoted cross ties placed in track.
52.01 miles of track relaid with new 129-pound rail.
128.15 miles of track relaid with new 112-pound rail.
50.92 miles of track relaid with 85, 90 and 110-pound secondhand rail.
819,419 cubic yards of ballast applied.

IMPROVEMENTS

Net capital expenditures in 1946:

Road	$ 4,729,532
Equipment	6,032,308
General	402,825
	$11,164,665

Track and Structures

Curve and grade reductions at Callao, Missouri, and Burke, Illinois, and curve reductions at Tyrone, Iowa, were completed; curve reduction at Greenwood, Nebraska, is under way.

A mechanical passenger car washer was provided at Chicago.

New power plant was constructed at Denver.

Passenger and freight stations at Rockford, Illinois, were replaced with new and modern facilities.

Additional telephone and telegraph-teletype channels were completed.

Construction of a new freight yard at West Quincy and changes in main line at Quincy, which will materially improve operating conditions and result in substantial economies, were begun but not completed in 1946.

Equipment

Built in Company Shops:

500	40′	6″	50-ton steel sheathed box cars.
500	40′	6″	50-ton steel sheathed automobile cars with loading devices.
100	50′	6″	50-ton steel sheathed box cars equipped for loading automobile and implement parts.
100	29′	3″	70-ton steel covered hopper cars.
350	34′	3″	55-ton steel hopper cars.

Purchased:

10	1350 h.p. Diesel-electric freight units.
28	1000 h.p. Diesel-electric switch locomotives.
6	30-ton Diesel-powered clam shells.
1	ballast spreader.

On order or to be built in company shops, in addition to new passenger equipment shown on page 6:

To be built in Company Shops:

2,000	40′	6″	50-ton steel sheathed box cars.
1,000	34′	3″	55-ton steel hopper cars.

To be Purchased:

1	2000 h.p. Diesel-electric passenger locomotive.
5	4000 h.p. Diesel-electric passenger locomotives.
3	4500 h.p. Diesel-electric passenger locomotives.
2	4500 h.p. Diesel-electric freight locomotives.
6	6000 h.p. Diesel-electric freight locomotives.

CENTRALIZED TRAFFIC CONTROL

Installations of Centralized Traffic Control between Flag Center and Savanna, Illinois, 57 miles, and between McCook, Nebraska,

and Akron, Colorado, 142 miles, were completed. Burlington now has either multiple track or centralized traffic control on the entire 1,034 miles between Chicago and Denver, also on entire 437-mile line between Chicago and Minneapolis.

RADIO COMMUNICATION

The experimental radio communication tests at Chicago, referred to in last year's report, conclusively demonstrated the operating value of the equipment and it is now permanently installed.

Studies are under way at other important terminals with a view to extending radio communication in switch engine operation.

Eleven Diesel-electric freight locomotives and eight cabooses, operating between McCook, Nebraska, and Denver, Colorado, were permanently equipped for end-to-end radio communication.

WAGES

Negotiations of wage demands instituted during the year 1945 were settled by an agreement increasing wages 16 cents per hour for all organizations except the Brotherhood of Railroad Trainmen and Brotherhood of Locomotive Engineers on all railroads. Failing to reach agreement with the latter two organizations and a strike vote having been taken, the President of the United States appointed an Emergency Board to hold hearings and make recommendations.

The Emergency Board recommended an increase of 16 cents per hour for the two brotherhoods, the same increase granted to the other organizations. The report of the Emergency Board was not accepted by the two organizations and on May 23, 1946, a strike was called which lasted until May 25, 1946, when final settlement was reached allowing employes covered by wage agreements an increase of 18½ cents per hour (16 cents per hour retroactive to January 1, 1946 and 2½ cents per hour effective May 22, 1946). Similar increases were given to other employes. The payroll for 1946 was increased $14,700,000.

TAXES

Taxes in 1946 were $25,693,903 compared with $30,248,889 in 1945, a decrease of $4,554,986. Federal Income taxes decreased $3,944,933, due largely to the Excess Profits tax being terminated January 1, 1946.

Burlington had no excess profits carry-back credit for the current year.

Taxes took 13.11% of total operating revenue, equivalent to $15.04 per share of capital stock.

DIVIDENDS

Net income amounted to $13.52 a share of capital stock. Dividends totaling $6.00 a share were paid in 1946, the eighty-fifth consecutive year in which the Company has paid a dividend.

FINANCIAL

During 1946 the Company reduced its funded debt, including equipment obligations, $5,768,730 (See page 26). In the five-year period 1942-1946, inclusive, funded debt and equipment obligations were reduced $68,121,718.

Interest accruals in 1946 were $1,475,368 less than in 1945. The reduction is due principally to refinancing funded debt at lower interest rates during the latter part of 1945.

At the close of 1946 the Company had $49,127,380 cash and cash assets, of which $21,669,500 was invested in U. S. Government securities.

EMPLOYE BENEFITS

The Relief Department paid out $703,634 during the year in disability and death claims.

The Company paid Federal taxes of $3,028,019 to provide for old age retirement of employes and $2,604,946 Federal Railroad Unemployment Insurance taxes, total $5,632,965.

Under the Railroad Retirement Tax Act amendment known as the Crosser Act, tax rates payable by the Company were increased to 5¾% from the present 3½% of wages up to $300.00 per month for years 1947 and 1948. The rate is fixed at 6% for years 1949, 1950 and 1951, thereafter 6¼%. Employes will be assessed at similar tax rates on their wages up to $300.00 per month.

PENDING LEGISLATION

The so-called Bulwinkle Bill (H.R. 221), pending in Congress, would, if enacted, relax the operation of the anti-trust laws in their application to railroads by extending the jurisdiction of the Interstate Commerce Commission in that respect.

PULLMAN SLEEPING CAR OPERATION

As outlined in report for 1945, the Court approved sale of Pullman capital stock to a group of railroads including the

Burlington. Interests in opposition to such acquisition appealed to the Supreme Court from order of the lower court and case was pending at the end of the year.

July 6, 1946, the Buying Group applied to the Interstate Commerce Commission for approval of a plan under which the services and earnings would be pooled. Examiner for the Commission who heard the case recommended Commission's approval of the plan. In the meantime, the Pullman Company will operate the sleeping car service for account of the Buying Group.

MISSOURI & ILLINOIS BRIDGE & BELT RAILROAD COMPANY

Pursuant to Interstate Commerce Commission approval, Burlington has purchased 650 shares of the outstanding 1,430 shares of capital stock of the Missouri & Illinois Bridge & Belt Railroad Company. Application has been filed with the Commission for authority to purchase 520 additional shares.[1] When acquired, Burlington will own 1,170 shares or 9/11ths of the total outstanding stock.

The Bridge Company owns and operates approximately 2.67 miles of railroad, including a bridge across the Mississippi River between Alton, Illinois, and West Alton, Missouri.

The facilities of the Bridge Company constitute a vital link in Burlington operations to and from St. Louis and East St. Louis.

JOINT LINE DEVELOPMENTS

In June 1946, Burlington, Santa Fe, and Gulf, Mobile and Ohio applied to the Interstate Commerce Commission for approval of the following:

(1) Acquisition jointly by Burlington and Santa Fe from Gulf, Mobile and Ohio (Alton) of the 156-mile line from Rock Creek Junction (Kansas City) to Mexico, Missouri, the considerations which Burlington and Santa Fe would jointly assume being—

(a) $24,000 for capital stock of the Kansas City, St. Louis and Chicago Railroad Company, owner of the 156-mile line

(b) obligation as guarantor of interest, sinking fund, and principal on $2,093,980 bonds of the Kansas City, St. Louis and Chicago Railroad Company

(c) expenditure within five years of at least $5,000,000 for repairs, renewals, and additions and betterments to line between Rock Creek Junction and Mexico

(d) reservation by Gulf, Mobile and Ohio of trackage rights for freight service between Rock Creek Junction and Mexico, and of certain property in Kansas City, and

[1]This acquisition was consummated early in 1947.

(e) a maximum payment of $100,000 per year to Gulf, Mobile and Ohio, by reduction of trackage charges, for its proportion of fixed charges and taxes incurred as a proprietary line of the Kansas City Terminal Railway Company.

(2) Acquisition by Burlington and Santa Fe of trackage rights between Mexico and Francis, approximately 2½ miles, over the Gulf, Mobile and Ohio.

(3) Acquisition by Santa Fe of trackage rights over the 112-mile Burlington line between Francis and St. Louis.

(4) Acquisition by Burlington of trackage rights over the 105-mile Santa Fe line between Bucklin and Sheffield (Kansas City), including rights over the Santa Fe-Wabash paired track operation between Camden Junction and Carrollton.

(5) Acquisition by Burlington of trackage rights over the 24-mile Wabash line between Camden Junction and Birmingham.

The plan contemplates operation of joint Burlington-Santa Fe freight and passenger trains between St. Louis and Kansas City over the short route via Mexico. By trackage rights between Bucklin and Kansas City, the Burlington would obtain for its Chicago-Kansas City line alternate routes which are shorter and much faster than its present line between Bucklin and Kansas City via Cameron Junction.

Public hearings were held by the Commission in St. Louis commencing November 12, 1946. The City of St. Louis, St. Louis Chamber of Commerce, and other important public interests supported the plan, which was opposed by the Missouri Pacific, Frisco, Rock Island, Cotton Belt, and Texas and Pacific Railroads.[1]

BURLINGTON TRANSPORTATION COMPANY

Applications to the Interstate Commerce Commission for American Buslines, Inc. to acquire 51% ownership in Burlington Transportation Company bus operations were approved by the Commission on March 28, 1946.

Under agreement dated December 31, 1946, the Burlington has agreed to sell to the American Buslines, Inc. its remaining 49% of the Burlington Transportation Company bus operations.

BURLINGTON TRUCK LINES, INC.

This Company, a newly-formed wholly-owned subsidiary of the Burlington, acquired the net assets of the Burlington Transportation Company devoted to truck business under authority of the Interstate Commerce Commission dated March 28, 1946 and started operations June 1, 1946.

[1]Briefs were filed April 14, 1947.

For the seven months ended December 31, 1946, the Company operated 4,031,479 truck miles over 4,952 route miles at a net loss of $15,453.

No new equipment was acquired in 1946. Orders have been placed for delivery in 1947 of ten International, Model K-8, tractors to be paid for out of current funds. Also, eight White tractors and eight Fruehauf trailers have been ordered to be financed, 10% paid in cash, balance covered by a conditional sale contract payable in equal monthly installments over a period of thirty-six months, interest rate 1¾% per annum.

COLORADO AND SOUTHERN LINES

During the year, The Colorado and Southern Railway Company, pursuant to Plan of Adjustment, purchased at par from Reconstruction Finance Corporation, and retired, $100,000 principal amount of its Refunding and Extension Mortgage Bonds. This purchase reduced amount of Refunding and Extension Mortgage Bonds owned by Reconstruction to $17,400,000.

In 1946, Forth Worth and Denver City Railway Company paid $80,000 on its note to Reconstruction Finance Corporation, reducing the amount to $7,420,000.

RAILROAD CREDIT CORPORATION

Burlington's contribution to Railroad Credit Corporation, derived from increases in freight rates under Ex Parte No. 103 from January 1932, to March 1933, inclusive, amounted to $1,726,871.

Repayments aggregating full amount of contribution have been received, of which $1,598,699 applied to principal and $128,172 represented interest. It is expected final distribution of assets will be made and corporation dissolved in 1947.

CONCLUSION

The year 1946 was one of transition from war to peacetime conditions. The effect of this transition differed greatly by industries and by regions. The need for food in other countries and the large crops and high prices in Burlington territory resulted in a heavy movement outbound, and good demand for manufactured products coming into the territory. Coal mines were shut down for 59 days but the year's coal traffic was heavy and the loss of so much time during the shut-down increased the transportation burden during the balance of the year. Strikes in various other industries had the effect of making a great many freight cars idle for considerable periods and accentuating the car shortage afterwards.

Toward the end of 1946 the decline in passenger traffic reflected the ending of troop movement incident to the close of the war and a return to normal travel habits. Notwithstanding the general improvement of railroad passenger services and facilities throughout the country the trend appears to be toward a further decrease in total passenger business and the probable disappearance of profits from that traffic except on main line trains operated between large centers of population. Actual loss of money in handling the passenger business may be avoided if permission can be obtained to discontinue passenger trains that are only slightly used.

Conditions prevailing in 1946 made it impossible to provide freight and passenger service which was always fully adequate; the cooperation and consideration, as well as the generous patronage, of Burlington shippers and travelers are especially appreciated. The results which were obtained were due in large part to the ability and hard work of the staff and the generally loyal and experienced personnel, which the management acknowledges with real appreciation.

By order of the Board of Directors.

RALPH BUDD, President.

COMPARATIVE STATEMENT OF INCOME, YEARS ENDED DECEMBER 31

(See Pages 28 to 30)

Percent of Ry. Oper. Revenue	1946	RAILWAY OPERATING REVENUES	1945	Percent of Ry. Oper. Revenue
76.00	$148,897,285.01	Freight	$183,286,915.37	75.57
14.24	27,896,559.06	Passenger	38,193,572.36	15.75
2.82	5,529,241.85	Mail	5,708,592.69	2.35
2.50	4,893,957.15	Express	6,287,921.18	2.59
1.75	3,419,330.86	All other transportation	3,365,343.64	1.39
2.31	4,530,848.64	Incidental	4,865,239.23	2.01
.38	758,442.57	Joint facility	835,213.34	.34
100.00	195,925,665.14	Total railway operating revenues	242,542,797.81	100.00
		RAILWAY OPERATING EXPENSES		
16.03	31,412,418.72	Maintenance of way and structures	*47,843,081.94	19.73
14.10	27,660,940.88	Maintenance of equipment	†51,952,634.22	21.42
2.07	4,048,956.81	Traffic	3,615,688.44	1.49
35.02	68,613,876.72	Transportation	63,650,498.56	26.24
1.59	3,102,630.43	Miscellaneous operations	3,113,980.51	1.28
2.26	4,411,848.05	General	3,975,037.33	1.64
71.07	139,250,671.61	Total railway operating expenses	174,150,921.00	71.80
28.93	56,674,993.53	Net revenue from railway operations	68,391,876.81	28.20
	25,693,903.31	Railway tax accruals	‡30,248,889.24	
	30,981,090.22	Railway operating income	38,142,987.57	
	Dr. 2,573,290.95	Hire of equipment—Net	Dr. 1,598,413.47	
	Dr. 1,416,701.35	Joint facility rents—Net	Dr. 2,194,786.04	
	26,991,097.92	Net railway operating income	34,349,788.06	
		OTHER INCOME		
	665,180.98	Miscellaneous rent income	773,686.28	
	1,630,361.44	Dividends and miscellaneous interest	772,286.59	
	38,520.66	Miscellaneous income	54,155.17	
	2,334,063.08	Total other income	1,600,128.04	
	29,325,161.00	Total income	35,949,916.10	
		MISCELLANEOUS DEDUCTIONS FROM INCOME		
	96,894.91	Miscellaneous rents	96,715.91	
		Separately operated properties—Loss	4,207.15	
	15,163.61	Miscellaneous income charges	176,019.53	
	112,058.52	Total miscellaneous deductions	276,942.59	
	29,213,102.48	Income available for fixed charges	35,672,973.51	
		FIXED CHARGES		
	75,237.04	Rent for leased roads and equipment	112,208.99	
	5,788,692.29	Interest on funded debt	7,428,308.76	
	185,385.35	Interest on unfunded debt	604,165.28	
	61,013.24	Amortization of discount on funded debt	122,891.01	
	6,110,327.92	Total fixed charges	8,267,574.04	
	23,102,774.56	Net income after fixed charges	27,405,399.47	
		DISPOSITION OF NET INCOME		
	10,250,322.00	Dividend appropriations of income	10,250,322.00	
	$ 12,852,452.56	Balance of income transferred to Earned Surplus	$ 17,155,077.47	

Excess profits taxes accrued in 1946, None; 1945, $9,135,877.00.

* 1945 includes $4,623,551.60 and † $17,489,381.04 balance cost of war facilities unamortized as of September 29, 1945.

‡ 1945 includes a Federal income tax credit of $18,530,956.62 resulting from inclusion of accelerated amortization of war facilities in operating expenses.

COMPARATIVE STATEMENT OF EARNED SURPLUS ACCOUNT FOR YEARS ENDED DECEMBER 31

	1946	1945	Increase	Decrease
Credits:				
Credit balance at beginning of year	$189,153,793.92	$188,661,691.08	$ 492,102.84	
Credit balance transferred from income	12,852,452.56	17,155,077.47		$ 4,302,624.91
Miscellaneous credits	190,930.39	41,579.89	149,350.50	
Total	$202,197,176.87	$205,858,348.44		$ 3,661,171.57
Debits:				
Miscellaneous debits	$ 579,077.24	$ 16,704,554.52		$ 16,125,477.28
Credit balance carried to balance sheet	201,618,099.63	189,153,793.92	$12,464,305.71	
Total	$202,197,176.87	$205,858,348.44		$ 3,661,171.57

STATISTICS OF OPERATIONS

ITEMS	1946	1945
Average mileage of road operated	8,865.75	8,965.22
Actual miles road operated, end of year	8,867.45	8,863.00
TRAIN-MILES		
Freight	15,763,135	16,805,751
Passenger	14,197,832	15,470,510
Total transportation service	29,960,967	32,276,261
Work service	292,604	461,722
LOCOMOTIVE-MILES		
Freight	16,981,189	18,310,726
*Passenger	12,112,009	13,536,212
Train and yard switching	7,895,568	8,255,826
Total transportation service	36,988,766	40,102,764
Work service	682,589	972,410
CAR-MILES		
Loaded freight cars	588,249,358	643,818,605
Empty freight cars	312,357,825	307,885,461
Sum of loaded and empty	900,607,183	951,704,066
Caboose	15,426,229	17,531,692
Total freight cars	916,033,412	969,235,758
Coach and combination passenger cars	32,078,508	38,957,799
Sleeping and parlor	33,298,388	39,960,359
Club, lounge, dining and observation	8,310,926	8,274,725
Other	44,362,051	46,582,488
Total passenger cars	118,049,873	133,775,371
Total transportation service	1,034,083,285	1,103,011,129
Work service	1,973,652	3,629,140
FREIGHT SERVICE		
Tons—revenue freight	51,574,135	56,142,477
Tons—revenue and non-revenue freight	57,200,432	63,308,492
Ton-miles—revenue freight	16,657,848,531	18,820,919,595
Ton-miles—revenue and non-revenue freight	18,151,030,400	20,842,785,300
PASSENGER SERVICE		
Passengers carried—revenue	13,425,428	15,342,422
Passenger miles—revenue	1,529,488,460	2,116,701,416

*Excludes mileage of combination motor passenger cars:

1946—2,332,054
1945—2,277,516

STATISTICS OF OPERATIONS—Continued

ITEMS	1946	1945
AVERAGES PER MILE OF ROAD		
Freight-train miles	1,818	1,917
Passenger-train miles	2,111	2,225
Transportation service train-miles	3,379	3,600
Transportation service locomotive-miles	4,172	4,473
Freight service car-miles	105,670	110,539
Passenger service car-miles	17,554	19,236
Freight revenue	$17,176.16	$20,903.36
Passenger service train revenue	$ 5,804.19	$ 7,355.71
Operating revenues	$22,099.16	$27,053.75
Operating expenses	$15,706.59	$19,425.17
Net operating revenue	$ 6,392.57	$ 7,628.58
Net railway operating income	$ 3,044.42	$ 3,831.45
Ton-miles—revenue freight	1,878,899	2,099,326*
Ton-miles—all freight	2,047,320	2,377,061
Passenger-miles—revenue	172,517	236,101*
AVERAGES PER TRAIN-MILE		
Loaded freight car-miles	37.32	38.31
Empty freight car-miles	19.82	18.32
Ton-miles—revenue freight	1,056.76	1,119.91
Ton-miles—all freight	1,151.49	1,240.21
Passenger train car-miles	8.31	8.65
Revenue passenger-miles	107.73	136.82
Freight revenue	$ 9.45	$ 10.91
Passenger service train revenue	$ 2.75	$ 3.31
Operating revenues	$ 6.54	$ 7.51
Operating expenses	$ 4.65	$ 5.39
Net operating revenue	$ 1.89	$ 2.12
AVERAGES PER LOADED FREIGHT CAR-MILE		
Ton-miles—revenue freight	28.32	29.23
Ton-miles—all freight	30.86	32.37
Freight revenue	$ .25312	$ .28469
AVERAGES PER CAR-MILE PASSENGER		
Passenger-miles—revenue	23.95	27.38
Passenger revenue	$ .43689	$ .49402
MISCELLANEOUS AVERAGES		
Miles hauled—revenue freight	322.98	335.23
Miles hauled—non-revenue freight	265.39	282.15
Miles hauled—all freight	317.32	329.23
Miles carried—revenue passengers	113.92	137.96
Revenue per ton of freight	$ 2.88706	$ 3.26467
Revenue per ton-mile of freight	$ .00894	$ .00974
Revenue per passenger	$ 2.07789	$ 2.48941
Revenue per passenger-mile	$ .01824	$ .01804
Operating ratio	71.07	71.80

* Restated.

INVESTMENT IN ROAD AND EQUIPMENT, YEAR 1946

Account	Additions and Betterments
Engineering	$ 89,477.99
Land for transportation purposes	139,991.99
Other right-of-way expenditures	12,516.60
Grading	674,275.51
Tunnels and subways	Cr. 17,411.04
Bridges, trestles and culverts	651,142.39
Ties	124,766.19
Rails	464,631.73
Other track material	544,651.09
Ballast	530,539.73
Track laying and surfacing	227,096.64
Fences, snow sheds and signs	16,711.08
Crossings and signs	Cr. 1,295.90
Station and office buildings	158,105.64
Roadway buildings	46,155.79
Water stations	72,931.34
Fuel stations	Cr. 16,229.14
Shops and engine houses	136,848.22
Telegraph and telephone lines	179,098.37
Signals and interlockers	140,915.99
Power plants	106,185.73
Power transmission systems	6,400.40
Miscellaneous structures	60,640.24
Roadway machines	213,516.58
Roadway small tools	2,405.79
Public improvements—Construction	42,467.21
Shop machinery	135,201.84
Power plant machinery	Cr. 12,205.95
Total expenditures for road	4,729,532.05
Steam locomotives	Cr. 1,941,263.43
Other locomotives	3,908,315.24
Freight-train cars	3,812,025.06
Passenger-train cars	211,877.83
Work equipment	3,603.56
Miscellaneous equipment	37,749.72
Total expenditures for equipment	6,032,307.98
Organization expenses	Cr. .31
General officers and clerks	Cr. 12.83
Law	14,564.44
Stationery and printing	Cr. .93
Taxes	Cr. 6.72
Interest during construction	Cr. 10,422.16
Other expenditures—general	398,703.64
Total general expenditures	402,825.13
Grand total	$11,164,665.16

"Cr."—Credits due to retirements.

EQUIPMENT IN SERVICE

DESCRIPTION	Number on Dec. 31, 1945	Number Added During Year	Number Retired During Year	Number on Dec. 31, 1946	Average tractive power all ocomotives and average capacity all freight cars
Locomotives—Steam	948	.....	113	835	.....
—Other	**157	38	.....	195	.....
Total locomotives	1,105	38	113	1,030	55,401 Lbs.
Freight-train cars—Box cars	21,947	1,116	1,076	21,987	.....
Flat cars	1,489	.....	37	1,452	.....
Stock cars	3,170	.....	63	3,107	.....
Gondola and Hopper	15,624	452	181	15,895	.....
Caboose cars	629	1	10	620	.....
All classes of freight-train cars	42,859	1,569	1,367	43,061	46.70 Tons
Passenger train cars—Coaches	325	4	11	318	.....
Combination coach cars	49	1	4	46	.....
Parlor cars	2	.....	.....	2	.....
Dining cars	30	1	1	30	.....
Club, lounge and observation cars	4	3	.....	7	.....
Postal cars	28	.....	5	23	.....
Baggage, express and other nonpassenger cars	570	5	14	561	.....
Total	1,008	14	35	987	.....
Passenger rail motor cars: Combination coach cars	16	.....	.....	16	.....
Other passenger-train rail motor cars	15	.....	.....	15	.....
Total	31	.....	.....	31	.....
Number of articulated Zephyr trains	7	.....	.....	7	.....
Cars in articulated trains:‡ Coaches	11	.....	.....	11	.....
Combination coach cars	14	.....	.....	14	.....
Parlor and sleeping cars	4	.....	.....	4	.....
Other passenger-train cars	11	.....	.....	11	.....
Total	40	.....	.....	40	.....
All classes of passenger-train cars	1,079	14	35	1,058	.....
Company service equipment: Officers' and business cars	16	1	.....	17	.....
Ballast cars	1,359	8	55	1,312	.....
Derrick cars	4	.....	.....	4	.....
Steam shovels	1	.....	.....	1	.....
Wrecking cars	19	.....	.....	19	.....
Other company service cars	3,328	183	260	3,251	.....
All classes of company service cars	4,727	192	315	4,604	.....
All classes of cars in service	48,665	1,775	1,717	48,723	.....

OWNED EQUIPMENT LEASED

DESCRIPTION	Number Under Lease on Dec. 31, 1945	Number Leased During Year	Number Withdrawn from Lease During Year	Number Under Lease on Dec. 31, 1946
Diesel-electric locomotive†	1	.....	.....	1
Freight-refrigerator cars*	1,926	2	63	1,865
Freight-stock cars§	193	.....	3	190
Passenger-refrigerator cars*	30	.....	.....	30
Zephyr train-cars†	5	.....	.....	5
Sleeping cars#	10	1	.....	11

** December 31, 1945 restated.

‡ 10 cars not articulated.

† Leased to Burlington-Rock Island Railroad Company.

* Leased to Burlington Refrigerator Express Company.

§ Leased to Fort Worth and Denver City Railway Company.

Leased to Pullman Company.

GENERAL BALANCE SHEET

December 31, 1946

ASSETS

INVESTMENTS:		
Road and equipment property		$662,603,208.50
Improvements on leased property		116,690.87
Donations and grants	Cr.	2,518,614.95
Accrued depreciation—Road and equipment	Cr.	109,766,506.59
Accrued amortization of defense projects—Road and equipment	Cr.	37,506,456.21
Sinking funds		9,880.95
Capital and other reserve funds		158,948.34
Miscellaneous physical property		7,060,590.74
Investments in affiliated companies:		
Stocks	$26,648,189.15	
All other	10,738,824.41	37,387,013.56
Other investments:		
Stocks	$ 4,308,120.06	
Bonds	4,268,500.00	
All other	716,052.59	9,292,672.65
Total net investments		566,837,427.86
CURRENT ASSETS:		
Cash		27,046,979.39
Temporary cash investments		17,851,624.54
Special deposits		335,621.60
Loans and bills receivable		7,311.92
Traffic and car service balances—Dr.		1,465,108.41
Net balance receivable from agents and conductors		2,912,571.18
Miscellaneous accounts receivable		5,052,560.38
Material and supplies		17,923,182.13
Interest and dividends receivable		150,392.34
Accrued accounts receivable		5,875,505.56
Other current assets		821,527.55
Total current assets		79,442,385.00
DEFERRED ASSETS:		
Working fund advances		196,220.23
Other deferred assets		637,640.42
Total deferred assets		833,860.65
UNADJUSTED DEBITS:		
Prepayments		80,177.94
Discount on funded debt		824,980.57
Other unadjusted debits		2,536,573.41
Total unadjusted debits		3,441,731.92
Grand Total		$650,555,405.43

GENERAL BALANCE SHEET

December 31, 1946

LIABILITIES

CAPITAL STOCK:		
Common stock		$170,839,100.00
LONG-TERM DEBT:		
Funded debt unmatured (See Page 24):		
Total book liability	$345,216,000.00	
Less held by or for the company	180,875,900.00	164,340,100.00
Equipment obligations (See pages 24 and 25)		19,096,558.46
Amounts payable to affiliated companies		123,275.41
Total long-term debt		183,559,933.87
CURRENT LIABILITIES:		
Audited accounts and wages payable		10,573,966.00
Miscellaneous accounts payable		2,930,482.98
Interest matured unpaid		102,019.08
Unmatured interest accrued		2,116,905.68
Accrued accounts payable		4,425,666.69
Taxes accrued		19,881,433.14
Other current liabilities		2,234,453.00
Total current liabilities		42,264,926.57
DEFERRED LIABILITIES:		
Other deferred liabilities		362,403.30
UNADJUSTED CREDITS:		
Premium on funded debt		37,850.66
Insurance reserves		1,392,996.20
Other unadjusted credits		2,178,647.97
Accrued depreciation—leased property		20,677.77
Total unadjusted credits		3,630,172.60
SURPLUS:		
Unearned surplus		255,309.36
Earned surplus—appropriated		48,025,460.10
Earned surplus—unappropriated		201,618,099.63
Total surplus		249,898,869.09
Grand Total		$650,555,405.43

CAPITAL LIABILITIES OF THE CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY
DECEMBER 31, 1946

Designation of Obligation	Term		Total par value authorized	Total nominally or actually outstanding	Held by or for Company	Actually outstanding in hands of public	Dividends or Interest		
	Date of issue	Date of maturity					Rate	When payable	Dividends declared and interest accrued during year
CAPITAL STOCK			$170,839,100	$170,839,100		*$170,839,100	3% 3%	June 26 Dec. 24	$5,125,161 5,125,161
FUNDED DEBT UNMATURED									
General Mortgage	Mar. 2, 1908	Mar. 1, 1958	$178,414,000	$178,414,000	‡$145,735,000	$ 32,679,000	4	M. & S.	$1,307,160
First and Refunding Mortgage:									
Series B	Feb. 1, 1927	Feb. 1, 1977	30,000,000	30,000,000	17,539,900	12,460,100	4½	F. & A.	560,704
Series 1970	Aug. 1, 1944	Aug. 1, 1970	92,873,000	17,601,000	# 17,601,000	.....	4½	F. & A.	.....
Series 1985	Aug. 1, 1945	Aug. 1, 1985	65,000,000	63,683,000	.....	63,683,000	3⅛	F. & A.	2,014,367
Series 1970	Aug. 1, 1945	Aug. 1, 1970	49,765,000	49,518,000	.....	49,518,000	2⅞	F. & A.	1,425,757
Serial Collateral Trust Notes	Dec. 1, 1944	$500,000 each quarter to 1949	10,000,000	6,000,000	.....	6,000,000	1½	Quarterly M.J.S.D.	106,250
Total Funded Debt Unmatured			$426,052,000	$345,216,000	$180,875,900	$164,340,100			$5,414,238
EQUIPMENT TRUST OBLIGATIONS									
Equipment Trust of 1937	Oct. 1, 1937	$365,000 Oct. 1 each year to 1947	$ 3,650,000	$ 365,000	.....	$ 365,000	2½	A. & O.	$ 15,969
Equipment Trust of 1941	Aug. 1, 1941	$499,000 Aug. 1 each year to 1948	9,387,000	998,000	.....	998,000	1½	F. & A.	19,336
Equipment Trust of 1944	Nov. 1, 1944	$38,000 each quarter to Nov. 1954	1,520,000	1,216,000	.....	1,216,000	1⅞	Quarterly F.M.A.N.	24,106

CONDITIONAL SALE CONTRACTS									
National Bank of Detroit	Apr. 29, 1940	Monthly to Nov. 1948	$ 592,806	$ 144,109	.....	$ 144,109	1¾	Monthly	$ 3,111
Harris Trust and Savings Bank of Chicago	Aug. 28, 1940	Quarterly to Sept. 1950	2,444,117	958,419	.....	958,419	2¼	Quarterly M.J.S.D.	24,702
National Bank of Detroit	Dec. 19, 1940	Monthly to Feb. 1951	2,277,453	994,065	.....	994,065	1⅝	Monthly	17,862
Manufacturers Trust Co., New York, N. Y.	Feb. 28, 1941	Monthly to May 1951	815,098	374,499	.....	374,499	2	Monthly 19th	8,377
The Northern Trust Co., Chicago and S. A. Weaver	Mar. 8, 1941	Monthly to Dec. 1949	5,142,510	1,915,061	.....	1,915,061	1¾	Monthly	38,683
First National Bank of Chicago	May 1, 1941	Quarterly to May 1948	5,404,948	1,050,000	.....	1,050,000	2	Quarterly F.M.A.N.	27,417
First National Bank of Chicago	Jan. 15, 1944	Quarterly to Oct. 1954	7,110,720	5,688,576	.....	5,688,576	2	Quarterly J.A.J.O.	119,105
First National Bank of Chicago	Oct. 1, 1945	Monthly to Jan. 1956	3,883,440	3,456,538	.....	3,456,538	1.59	Monthly	47,535
The Northern Trust Co., Chgo.	July 1, 1946	Monthly to July 1956	2,020,480	1,936,292	.....	1,936,292	1.5	Monthly	10,522
Total Equipment Obligations			$ 44,248,572	$ 19,096,559	.....	$ 19,096,559			$ 356,725
Total Funded Debt and Equipment Obligations			$470,300,572	$364,312,559	$180,875,900	$183,436,659			$5,770,963⊗

* Includes $400 scrip on which no dividends are paid.

‡ Includes $143,735,000 pledged under First and Refunding Mortgage, and $2,000,000 pledged as collateral to secure performance by The Colorado and Southern Railway Company of obligations under agreement with Reconstruction Finance Corporation in connection with extension of maturity of its Refunding and Extension Bonds, May 1, 1935 to January 1, 1955.

#Includes $9,000,000 pledged as collateral security for Serial Collateral Trust Notes dated December 1, 1944.

⊗ Excludes interest on Notes matured as follows:

Serial Collateral Trust Notes (1937-1946)	$14,437
Equipment Trust of 1936	3,292
	$17,729

Net decrease in principal of bonds, collateral trust notes and equipment obligations during the year amounted to $5,768,730 (see page 26).

CHANGES IN CAPITAL LIABILITIES IN 1946

	Increase	Decrease
Bonds redeemed through Sinking Fund		
First and Refunding 3⅛% Series of 1985		$ 1,317,000
First and Refunding 2⅞% Series of 1970		247,000
Principal of notes and Conditional Sale Contracts retired		
Collateral Trust Notes 1½% (1945-1949)		2,000,000
Collateral Trust Notes 2¼% (1937-1946)		700,000
Equipment Trust of 1936		395,000
Equipment Trust of 1937		365,000
Equipment Trust of 1941		499,000
Equipment Trust of 1944		152,000
Equipment Conditional Sale Contracts		3,160,850
Securities issued		
Equipment Conditional Sale Contracts	$3,067,120	
	$3,067,120	$8,835,850
Net Decrease		$5,768,730

DESCRIPTION OF MORTGAGES

General Mortgage

This mortgage is a first lien on 7,763.11 miles of this Company's main and branch lines, including terminals, property and equipment appurtenant thereto, situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana.

This mortgage is also secured by deposit with the trustee of 305,262 shares of the capital stock of The Colorado and Southern Railway Company.

No provision in mortgage for redemption of bonds. No additional bonds can be issued.

First and Refunding Mortgage

This mortgage is a lien on 8,242.34 miles of this Company's main and branch lines situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana, including terminals, property and equipment appurtenant thereto; subject to the prior lien of the General Mortgage on 7,763.11 miles, see above.

As further security for bonds issued under this mortgage, there are pledged $143,735,000 General Mortgage Bonds; also all right and title of this Company to the owned shares of capital stock, except Directors qualifying shares, of bridge, depot and terminal companies, the Davenport, Rock Island and North Western Railway Company, and The Colorado and Southern Railway Company, subject to prior lien of the General Mortgage on 305,262 shares.

Bonds issued under this mortgage may be redeemed at election of the Company on sixty days' notice, on any interest date, as follows:

Series B redeemable as a whole at 105 and accrued interest, February 1, 1952 to August 1, 1966; at 103 and accrued interest, February 1, 1967 to August 1, 1976.

Series of 1970 2⅞% Bonds may be redeemed as a whole or in part, on any

interest payment date at 105¾ August 1, 1945 to July 31, 1949. Thereafter premium reduces periodically to August 1, 1969, after which date callable at par; in each instance with accrued interest.

Series of 1985 may be redeemed as a whole or in part, on any interest date at 105½ August 1, 1945 to July 31, 1949. Thereafter premium reduces periodically to August 1, 1982, after which date callable at par; in each instance with accrued interest.

An annual sinking fund of $248,825 for redemption of Series of 1970 2⅞% Bonds is payable to Trustee on or before May 1 each year, beginning May 1, 1946. For such redemption, prices are 102¾ August 1, 1945 to July 31, 1949, reduced periodically to August 1, 1969, and thereafter at par; plus accrued interest in each instance.

An annual sinking fund of $325,000 together with an amount equal to 10% of dividends paid by the Company on its capital stock in the preceding calendar year, is payable to the Trustee before May 1 in each year beginning May 1, 1946, for redemption of the Series of 1985 Bonds. Redemption prices are 102½ August 1, 1945 to July 31, 1949, with periodical reductions to August 1, 1982, and par thereafter; plus accrued interest in each case.

MILEAGE

Owned	Miles of Road	Second Track	Third Track	Fourth Track	Yard Tracks and Sidings*	Total
Colorado	395.51	.52	.....	.....	178.96	574.99
Illinois	1,615.41	388.39	40.89	5.43	1,047.73	3,097.85
Iowa	1,054.03	249.55	.....	.....	290.29	1,593.87
Kansas	221.83	.....	.....	.....	23.28	245.11
Minnesota	23.09	2.71	.....	.....	36.90	62.70
Missouri	1,161.70	112.64	.....	.....	409.67	1,684.01
Montana	134.36	.....	.....	.....	49.90	184.26
Nebraska	2,673.13	29.47	.....	.....	788.45	3,491.05
South Dakota	168.16	.....	.....	.....	56.54	224.70
Wisconsin	220.25	214.17	.....	.....	65.11	499.53
Wyoming	677.78	.....	.....	.....	218.33	896.11
Total	8,345.25	997.45	40.89	5.43	3,165.16	12,554.18
Operated under lease or contract	522.20	125.54	.76	.76	409.54	1,058.80
Grand Total	8,867.45	1,122.99	41.65	6.19	3,574.70	13,612.98

*Includes yard tracks and sidings owned but not operated as follows: Illinois 1.11 miles, Iowa .71 miles, total 1.82.

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31

	1946	1945	Increase	Decrease
RAILWAY OPERATING REVENUES—				
TRANSPORTATION:				
Freight	$148,897,285.01	$183,286,915.37		$ 34,389,630.36
Passenger	27,896,559.06	38,193,572.36		10,297,013.30
Baggage	65,818.07	75,636.80		9,818.73
Parlor and chair car	143,841.49	152,760.81		8,919.32
Mail	5,529,241.85	5,708,592.69		179,350.84
Express	4,893,957.15	6,287,921.18		1,393,964.03
Other passenger-train	210,530.61	519,105.53		308,574.92
Milk	293,040.04	217,591.12	$ 75,448.92	
Switching	2,706,100.65	2,400,249.38	305,851.27	
Total	$190,636,373.93	$236,842,345.24		$ 46,205,971.31
INCIDENTAL:				
Dining and buffet	$ 1,853,556.03	$ 2,349,470.79		$ 495,914.76
Hotel and restaurant	149,260.11	252,047.90		102,787.79
Station and train privileges	99,764.60	93,626.30	$ 6,138.30	
Parcel room	3,209.80	8,615.05		5,405.25
Storage—Freight	20,429.68	15,789.70	4,639.98	
Storage—Baggage	8,273.87	11,491.94		3,218.07
Demurrage	621,187.42	537,454.29	83,733.13	
Telegraph and telephone	211,942.13	223,436.80		11,494.67
Stockyard	458,922.43	243,128.47	215,793.96	
Power	46,155.70	146,399.11		100,243.41
Rents of buildings and other property	249,580.86	241,436.85	8,144.01	
Miscellaneous	808,566.01	742,342.03	66,223.98	
Total	$ 4,530,848.64	$ 4,865,239.23		$ 334,390.59
Joint facility—Cr.	$ 777,457.77	$ 845,829.04		$ 68,371.27
Joint facility—Dr.	Dr. 19,015.20	Dr. 10,615.70		8,399.50
Total	$ 758,442.57	$ 835,213.34		$ 76,770.77
Total railway operating revenues	$195,925,665.14	$242,542,797.81		$ 46,617,132.67

RAILWAY OPERATING EXPENSES—				
Maintenance of way and structures	$ 31,412,418.72	$ 47,843,081.94	.....	$16,430,663.22
Maintenance of equipment	27,660,940.88	51,952,634.22	.....	24,291,693.34
Traffic	4,048,956.81	3,615,688.44	$ 433,268.37	.....
Transportation	68,613,876.72	63,650,498.56	4,963,378.16	.....
Miscellaneous operations	3,102,630.43	3,113,980.51	.....	11,350.08
General	4,411,848.05	3,975,037.33	436,810.72	.....
Total railway operating expenses	$139,250,671.61	$174,150,921.00	.....	$34,900,249.39
Operating Ratio	71.07	71.80	.....	.73
Net revenue from railway operations	$ 56,674,993.53	$ 68,391,876.81	.....	$11,716,883.28
Railway tax accruals	$ 25,693,903.31	$ 30,248,889.24	.....	$ 4,554,985.93
Railway operating income	$ 30,981,090.22	$ 38,142,987.57	.....	$ 7,161,897.35
RENT INCOME				
Rent from equipment	$ 676,340.93	$ 793,332.43	.....	$ 116,991.50
Joint facility rent income	785,854.83	694,818.92	$ 91,035.91	.....
Total rent income	$ 1,462,195.76	$ 1,488,151.35	.....	$ 25,955.59
RENTS PAYABLE				
Rent for equipment	$ 3,249,631.88	$ 2,391,745.90	$ 857,885.98	.....
Joint facility rents	2,202,556.18	2,889,604.96	.....	$ 687,048.78
Total rents payable	$ 5,452,188.06	$ 5,281,350.86	$ 170,837.20	.....
Net rents	Dr. $3,989,992.30	Dr. $3,793,199.51	$ 196,792.79	.....
Net railway operating income	$ 26,991,097.92	$ 34,349,788.06	.....	$ 7,358,690.14

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31—Continued

	1946	1945	Increase	Decrease
Other Income				
Income from lease of road and equipment	$ 68,633.86	$ 212,255.99		$ 143,622.13
Miscellaneous rent income	454,357.43	430,592.52	$ 23,764.91	
Miscellaneous nonoperating physical property	142,189.69	130,837.77	11,351.92	
Separately operated properties—profit	1,280.70		1,280.70	
Dividend income	636,162.74	119,089.30	517,073.44	
Income from funded securities	262,545.72	296,451.04		33,905.32
Income from unfunded securities and accounts	731,652.98	356,746.25	374,906.73	
Release of premiums on funded debt	3,916.10	5,386.69		1,470.59
Miscellaneous income	33,323.86	48,768.48		15,444.62
Total other income	$ 2,334,063.08	$ 1,600,128.04	$ 733,935.04	
Total income	$ 29,325,161.00	$ 35,949,916.10		$ 6,624,755.10
Miscellaneous Deductions From Income				
Miscellaneous rents	$ 25,040.50	$ 28,139.99		$ 3,099.49
Miscellaneous tax accruals	71,854.41	68,575.92	$ 3,278.49	
Separately operated properties—Loss		4,207.15		4,207.15
Miscellaneous income charges	15,163.61	176,019.53		160,855.92
Total miscellaneous deductions	$ 112,058.52	$ 276,942.59		$ 164,884.07
Income available for fixed charges	$ 29,213,102.48	$ 35,672,973.51		$ 6,459,871.03
Fixed Charges				
Rent for leased roads and equipment	$ 75,237.04	$ 112,208.99		$ 36,971.95
Interest on funded debt	5,788,692.29	7,428,308.76		1,639,616.47
Interest on unfunded debt	185,385.35	604,165.28		418,779.93
Amortization of discount on funded debt	61,013.24	122,891.01		61,877.77
Total fixed charges	$ 6,110,327.92	$ 8,267,574.04		$ 2,157,246.12
Net income after fixed charges	$ 23,102,774.56	$ 27,405,399.47		$ 4,302,624.91
Dividend appropriations of income	$ 10,250,322.00	$ 10,250,322.00		
Balance of income transferred to Earned Surplus	$ 12,852,452.56	$ 17,155,077.47		$ 4,302,624.91

1946